

SENATE BILL No. 128

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-2-1.

Synopsis: Phased-in reduction in state income tax rates. Provides for a reduction of the adjusted gross income tax rates that apply to resident, nonresident, and corporate taxpayers in an even-numbered year by 0.1% if revenues collected from the adjusted gross income tax in the immediately preceding two state fiscal years increased by at least 3%. Limits the permissible total decrease in tax rates to 0.5%.

Effective: July 1, 2009.

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January 7, 2009, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

SENATE BILL No. 128

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3-2-1 IS AMENDED TO READ AS FOLLOWS
2 [EFFECTIVE JULY 1, 2009]: Sec. 1. (a) Each taxable year, a tax at the
3 rate of:

4 **(1) for taxable years beginning before January 1, 2010, three**
5 **and four-tenths percent (3.4%); and**

6 **(2) for taxable years beginning after December 31, 2009, the**
7 **percentage rate determined under subsection (c);**
8 of adjusted gross income is imposed upon the adjusted gross income of
9 every resident person, and on that part of the adjusted gross income
10 derived from sources within Indiana of every nonresident person.

11 (b) Except as provided in section 1.5 of this chapter, each taxable
12 year, a tax at the rate of:

13 **(1) for taxable years beginning before January 1, 2010, eight**
14 **and five-tenths percent (8.5%); and**

15 **(2) for taxable years beginning after December 31, 2009, the**
16 **percentage rate determined under subsection (c);**
17 of adjusted gross income is imposed on that part of the adjusted gross



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income derived from sources within Indiana of every corporation.

(c) The tax rates under subsections (a) and (b) shall be permanently reduced for taxable years beginning in or after an even-numbered year whenever the result of STEP TWO of the following formula is at least zero (0) until the resulting percentage rate under subsection (a) is equal to two and nine-tenths percent (2.9%) and the percentage rate under subsection (b) is equal to eight percent (8%):

STEP ONE: Determine the result of:

(A) the net revenue (determined after subtracting overpayments of adjusted gross income tax refunded to taxpayers) collected from the adjusted gross income tax in the twenty-four (24) months immediately preceding July 1 of the odd-numbered year preceding the even-numbered year by three (3) years, determined to the nearest dollar (\$1); multiplied by

(B) one and three hundredths (1.03).

STEP TWO: Determine the result of:

(A) the net revenue (determined after subtracting overpayments of adjusted gross income tax refunded to taxpayers) collected from the adjusted gross income tax in the twenty-four (24) months immediately preceding July 1 of the immediately preceding odd-numbered year, determined to the nearest dollar (\$1); minus

(B) the STEP ONE result.

The budget agency shall determine before October 1 of each odd-numbered year whether the result of STEP TWO is at least zero (0) and certify the results of the computation to the department of state revenue. The determination shall be based on the best information available to the budget agency at the time the determination is made. A rate reduction required under this subsection first applies to a taxable year beginning in the even-numbered year immediately following the odd-numbered year in which the rate reduction is computed. The reduced tax rate is equal to the tax rate in effect for the odd-numbered year in which it is computed minus one-tenth (0.1).

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